



COMPETITION WATCH



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Farewell to Charter Member Commonwealth Competition Council honors Delegate V. Earl Dickinson

The Commonwealth Competition Council honored Delegate V. Earl Dickinson upon his retirement from government service and the Competition Council. Senator Emmett W. Hanger, Jr., Chairman of the Commonwealth Competition Council, presented Delegate Dickinson with a plaque in recognition of his exemplary and dedicated service as a charter and outstanding member of the Competition Council. His long and meritorious service to state and local government began when he served as a member of the Board of Supervisors in Louisa County. He has been a member of the Virginia House of Delegates since 1972 and has represented the 56th House district with distinction. Most recently he has served as the chairman and co-chairman of the powerful Appropriations Committee. Delegate Dickinson was the last remaining charter member of the Council, having served since 1995, and his distinguished service and counsel will be missed. The members of the Council wish him well in his future endeavors.



Senator Emmett W. Hanger, Jr., Chairman, presents Delegate V. Earl Dickinson with recognition as a charter and outstanding member of the Commonwealth Competition Council 1995-2002 November 13, 2001

Commonwealth Competition Council Reports for 2001

The Council completed two in-depth studies during 2001. The first was a continuation of not-for-profit study begun in 2000 at the request of the General Assembly. The Council's continuation of the study in this area focused on the potential to create an Internet accessible data base for Virginia not-for-profit organizations as well as expanding the scope to include a data base of authorities in Virginia. The results of this study are now published as Senate Document No. 13. Hard copies are available from the Legislative Bill Room, (804) 786-6984.

A second study focused on the minority certification process and the ability for minority and women-owned businesses to provide goods and services to the Commonwealth. The report contains nine recommendations.

Both reports were made to the Governor, General Assembly and the Small Business Commission, and are accessible at the Council's web portal at <http://www.egovcompetition.com> and look under What's New.

When revenues dry up, states and localities tend to make cuts that leave them less able to deliver services effectively

Training, in fact, is even more critical when money is short. "You can't hire new people, so you're stuck with people who have been in the system for a long time," says Sally Selden, associate professor of management at Lynchburg

College here in Virginia. "If you take away the training budgets, government becomes even less efficient than it's depicted as being. Governments that cut back on training will lose the progress they've made over the last 10 years."

Similarly, a number of agencies will likely decide that they hardly need a strong recruiting program when unemployment is high and there are plenty of applicants. But, Selden points out, "Just because there are more applicants doesn't mean they're not crummy. And when money is short, you need good recruiting efforts to be especially sure that the few hires you have are of high quality."

Philadelphia's Troubled Schools: Keys to Success in the Philadelphia School Privatization Effort

by Lisa Snell, Reason Public Policy Institute



A recent column in the *Philadelphia Inquirer* illustrates the cultural clash between the Philadelphia public schools and Edison schools and why it is crucial to get the contract right in the upcoming Philadelphia school privatization. The *Inquirer* columnist asked, "How realistic can Edison's advice be when a top executive is clueless about something as uncomplicated as the cost of painting a school?" The column then goes on to ridicule Edison's executive vice president, Eugene Wade, because Wade was "incredulous" at the Philadelphia school district's claim that painting all schools in the district would cost nearly triple the \$51 million the governor has proposed to spend over three years. Wade argued that it should not cost more than \$500,000 to paint each school.

The columnist pointed out that in Philadelphia the high-school painting contracts are always awarded to the lowest bidder but, "it costs almost \$1,000 over the course of two days to pay one union painter." The columnist then argues that it "raises the obvious question: What other facts are missing from Edison's plan to fix the public schools?" The implicit assumption in this exchange is that it will cost Edison the same amount to paint the schools in Philadelphia as it will cost the district.

While it is unclear what role Edison will ultimately play in Philadelphia's schools, the plan, as it stands, calls for 60 schools to be managed by private companies in partnership with local community groups. Edison is seeking to be the "lead provider" which, under the plan, would give them 45 schools. And in a news conference just before Thanksgiving, both Governor Schweiker and Mayor Street said that Edison would have a significant role in central office operations as a consultant and systems provider.

Whatever the outcome, the road to increased student achievement for Philadelphia children will be difficult for both Edison and the Philadelphia public-school system.

The unions and district officials argue that Edison has greatly overstated the money that can be saved on school maintenance and elsewhere. Edison has estimated that the school district could save between \$650 million and \$700 million over five years. The school district estimated it could save only \$276 million in that same period. The discrepancy between the Edison and district figures represents more of a conflict of visions on how cost savings will be achieved than an actual difference in the potential cost savings. The *Inquirer* columnist and school district officials assume that Edison will face the same constraints and costs as the district. They miss the point of privatization. One benefit of privatization should be that Edison would not have to pay a \$1000 for two days of painting. Why hire Edison if you aren't going to let them use their own business model?

In a successful privatization, the government agency spells out the desired outcomes for the contractor, such as raising student achievement, sets penalties for failure and rewards for success, and then gets out of the way.

Because of the potential for serious and ongoing conflicts of vision between Edison and the Philadelphia public-school establishment, the key to a successful privatization in Philadelphia is to follow research-based best practices for privatization. These include open and competitive bidding, contractor flexibility over inputs, open and full disclosure by the contractor, and a well-designed contract monitoring system.

This policy update examines some of the principles that should guide the contract process in the Philadelphia school reform effort.

Encourage Competition.

Edison is not the only private education provider hoping to play a role in running Philadelphia's schools under a state takeover. Eight other private management companies want to do business in the district as well.

To ensure that the most qualified companies are involved in the reform efforts, the bidding process must be fair. Bidding for services should be open and competitive whenever possible and bid awards should be widely publicized. Furthermore, if the bid is to be negotiated, a formal explanation of why the agency's interests are best served by the manner proposed should be prepared. Most criticisms of privatization revolve around air-competition issues. **Lisa Snell's complete article is at <http://www.rppi.org>.**

The rest of the story---

A judge on December 28, 2001, refused to block the hiring of a company to help run Philadelphia's troubled schools in what would be the nation's biggest experiment in school privatization. Commonwealth Court President Judge Joseph Doyle denied a request to bar the city's new school reform commission from contracting with Edison Schools Inc., which is the nation's largest for-profit education company.

Last week, the state took the first step in the privatization plan by assuring control over the 210,000-student school system, which is struggling with a \$216 million deficit, low test scores and chronic teacher shortages.

Editors Note: Two points must be kept in perspective:

First, privatization as used in this case is a contract with a private company to manage the school system under a contract with the Philadelphia schools.

Second, this can be a good case study worth following.

Debt Collection Program

County governments lose hundreds of thousands, if not millions, of dollars each year because debtors skip-out on paying fees such as parking tickets or emergency medical service charges. Nationwide, the National Association of Counties (NACo) estimates the public debt ranges from \$10 billion to \$40 billion each year.

To help counties solve the problem, NACo has partnered with ACS State and Local Solutions (one of many providers) to provide a debt collection program for counties that have difficulty collecting delinquent payments. Member counties of the Association may buyoff the NACo/IMS contract to quickly establish a cost-effective local collection program. Since its inception in January, the NACo/ACS alliance has helped participating counties collect thousands of dollars in outstanding debt.

The most recent local government to use the concept is the City of Macon, Georgia. A September contract was awarded and represented \$13 million in referrals from the court. Additionally, ongoing one contract for current collection services and delinquent general government receivables for the City of Macon was signed. Implementation of the court collection process was completed by mid-October and the program is being expanded to general government.

Arlington County, Virginia, as well as Miami-Dade County, Titusville, and the City of West Palm Beach, Florida, Chattahoochee County, Georgia and the Commonwealth of Massachusetts have signed collection program contracts.

The **Commonwealth of Virginia** has several approaches to debt collection to include the use of debt set off programs, private collection agencies and the Attorney General's Division of Debt Collection. According to the Department of Accounts Quarterly Report, dated September 30, 2001, these collection tools recovered \$6.7 million during the quarter ended June 30, 2001. The largest contributor was the private collection agencies, with collections of \$4.3 million. The debt setoff program (Tax, Comptroller's and Lottery) collected \$1.1 million and the Division of Debt Collection contributed another \$1.3 million. Unfortunately, the Commonwealth of Virginia reportedly has \$1,123,525,863 in uncollectible accounts as of June 30, 2001.

Outsourcing Elevates Employee Skills in Higher Education

The problems in training and enhancing the skills of employees at the University of Northern Colorado (UNC) were multifaceted. Located 65 miles north of Denver in Greeley, the remote location hampered training efforts at a public institution with a small budget. There were no training facilities nearby, so the university had to pick up travel and lodging expenses every time it sent an employee to a training session. While there were many training opportunities in Denver, training sessions there required a two-hour drive each way.

In addition, the university's lean staffing made it difficult for anyone to be out of the office for long. "There was the infamous cry, 'I can't afford to have Jane out of the office for three days.'" The Internet promised a solution through eLearning. Janet Asteroff, eLearning consultant for the Conference Board in New York City, says eLearning "offers anytime, anywhere, anyplace education to anyone." Cost is a major advantage. She says the cost of class learning averages \$65 per person; learning on-line cost cuts that number to \$10 per person. Users like it because they can complete the courses on their schedule, not somebody else's. And the boss can actually tell if an employee finished the last lesson. This is not possible with CD ROMs or videotapes, since they lack interactivity.

While UNC liked the idea that eLearning was easily available to every member of its staff, it had neither the time nor the resources to develop its own courses.

A Synergistic Solution

A major training provider approached the higher education institutions of Colorado in July to propose a pilot program. The UNC staff was impressed by the course content that, in part, had been developed by such respected institutions as the Wharton School of Business at the University of Pennsylvania.

Funding remained a problem. Five schools in Colorado formed a consortium that included private and public four-year schools and a two-year community college. The consortium funding would be able to provide 20 courses to 50 employees. With this joint funding UNC was able to harness the power of eLearning by outsourcing its training to the company.

Implementing the program proved relatively easy for UNC. Initial planning included defining the course library and success criteria. It took just a matter of days. Once the buyers submit all technical files and documentation, the company guarantees to implement the training in no more than five business days.

The courses were offered at a center that features 30 computers and a large projection screen. There was a diverse variance in the employee's computer literacy. This ranged from those who could not turn on the computer to sophisticated users taking the courses.

UNC discovered the courses were effective and well received, based on progress reports and focus groups that discussed the course content and its use. The university training director indicated they can also determine what works and what doesn't and they have the tools to fine tune and customize the courses. Department supervisors who initially lacked enthusiasm for eLearning training discovered how it worked and suddenly became "big advocates." In addition research revealed UNC employees use the knowledge from the courses in different ways.

The university is pleased with the results of outsourcing. The pilot program was successful enough that UNC expanded the offerings from 50 people to 350. The university now offers the entire contractor library which includes over 450 courses.

In addition, the eLearning program has increased the efficiency and helped further the mission of HR. It is a way of providing a variety of training opportunities based upon independent needs at a minimal cost. The university can offer more for less. The eLearning courses have been used to expand requisite skills and to shore up deficiencies at a relatively minimal cost in time and money. The efficiency of the employee group reportedly has improved since they have the resources to help them do their job better.

The Commonwealth Competition Council web portal provides 24-hour support, 7 days a week, to individuals interested in entrepreneurial government and continuous improvement in their organizations. An e-Gov entrepreneur's toolkit is available to answer your questions and to provide assistance.

<http://www.egovcompetition.com>